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PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

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June 10, 2005

The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue, NW
Suite 2100
Washington, DC 20220

Dear Chairman Mack and other Panel members:

I am writing to urge the Panel to keep in mind the critical role of housing as a basic human need when it considers the various tax reform proposals before it.

The tendency of many is to view the tax code as simply a mechanism for raising revenue and; therefore, any elements of the code that complicate the process of raising revenue must be stripped from it. As you know, the tax code is also a tool for providing incentives to accomplish public good that the unassisted market will not.

Two major examples are the private activity bonds for housing and the Low Income Housing Tax Credit (LIHTC) program. Both these programs provide housing to low and moderate income families that would not otherwise be able to afford it.

Since 1986, multifamily bonds and the LIHTC have created over 2.7 million apartments for lower income families. Approximately 130,000 units a year are added to this total.

Single family private activity bonds (Mortgage Revenue Bonds or MRBs) have provided affordable financing to over 2.5 million first-time homebuyers, and continue to do so at the rate of about 100,000 a year. And at \$33,557, the median income of all Minnesota Housing Finance Agency first-time homebuyers is barely above the \$33,000 statewide median income. A 2003 study by MHFA comparing MHFA and GSE lending in Minnesota in 2001 showed that the median incomes of GSE borrowers were as much as \$20,000 more than MHFA borrowers. MRBs reach a different market segment than the private market.

Housing needs continue to grow. The November 2003 BBC Research & Consulting study, The Next Decade of Housing In Minnesota, estimates that between 2000 and 2010, Minnesota's low-income population will grow by 116,000, only one-half of which will be able to find affordable housing in the private market, leaving a shortfall of 59,300 units. The study assumes that the public and philanthropic sectors will continue to provide housing at the same rate as now, leaving

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a remaining deficit of 32,000 units. Elimination or curtailment of these tax code housing programs that are essential to the public and philanthropic sector provision of affordable housing will exacerbate the problem, reducing their production levels and growing the affordable housing deficit from 32,000 to something closer to 59,300. Though the numbers may vary, the essential nature of this problem will be replicated across the nation.

I urge the panel to recommend to Congress to maintain these two programs that are so important to the well being and success of families, and to avoid recommending other changes that would have unintended negative consequences for their effectiveness.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Marx", written over a diagonal line.

Timothy E. Marx
Commissioner

cc: Minnesota Congressional Delegation
Jason Rohloff, Office of Governor Tim Pawlenty
Jim Cegla, Minnesota Housing Finance Agency